

# University Finances

A Report of University Reserves in FY 2020

November 12, 2020

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# Transparent Financial Reporting

- The university implemented an Administrative Policy Statement (APS) outlining the reporting requirements regarding variances, carry-forwards, transfers, and fund balances.
- In addition to the items above, the Composite Financial Index (CFI) is used to monitor the financial health of the system and campuses.
- Each campus developed fund balance policies in 2014 that include information on the appropriate use of fund balances and transfers. Highlights include:
  - Fund Balances must have a spending plan in place.
  - Transfers of unspent operating funds to plant funds are held there until approved for spending.



# Maintaining Unrestricted Net Position

**Moody's and Fitch have noted: "that weakening of financial reserves and erosion of liquidity could lead to a downgrade"**

Spend-down of unrestricted net position would:

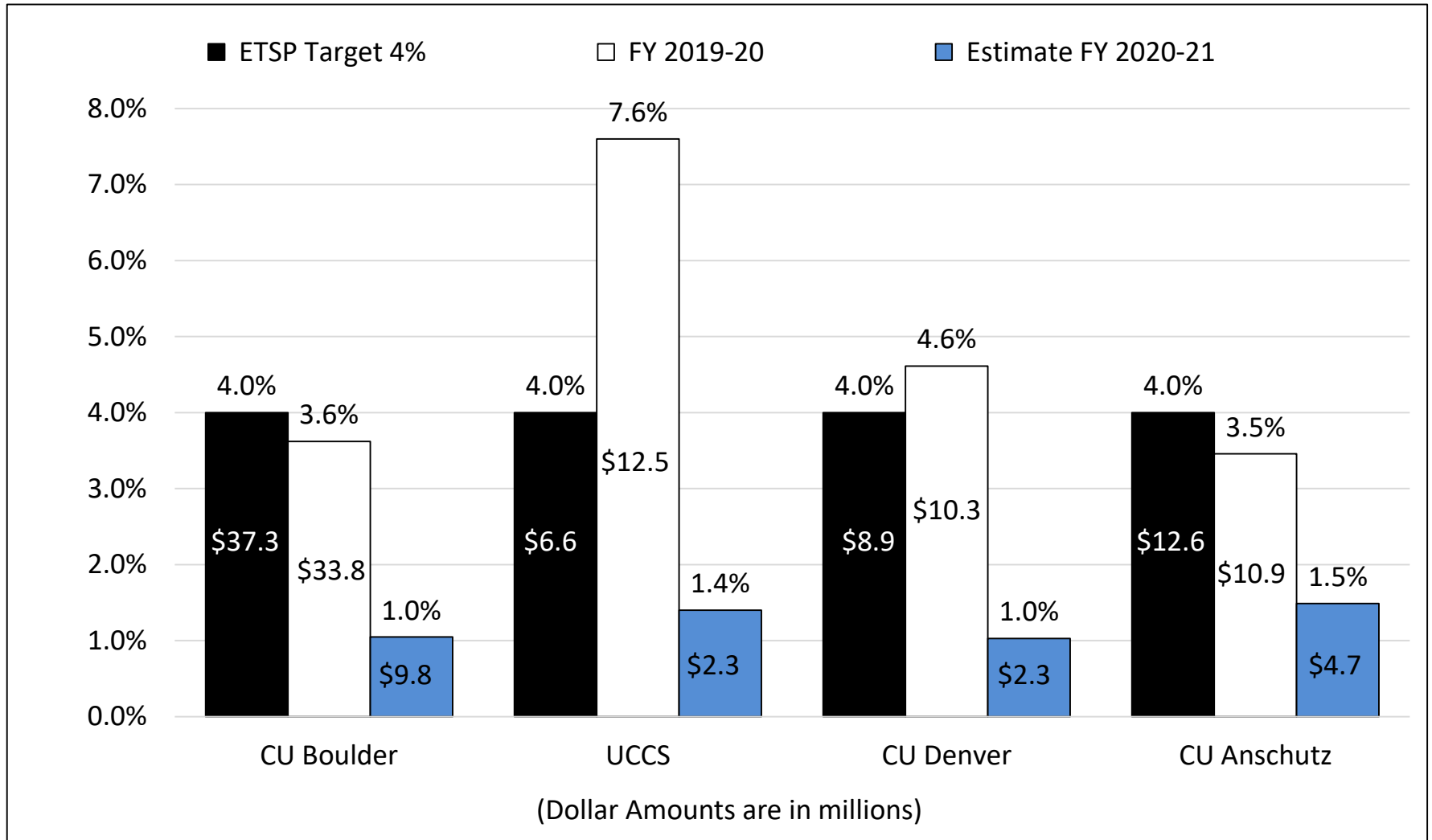
- Put credit rating at risk, cost millions and put pressure on tuition and furloughs
- Decrease assets that generate investment income

Reserves critical for strategic investments like deferred maintenance, equipment, faculty recruitment and research enterprise.

The unrestricted net position noted in this presentation do not factor in COVID related expenses.

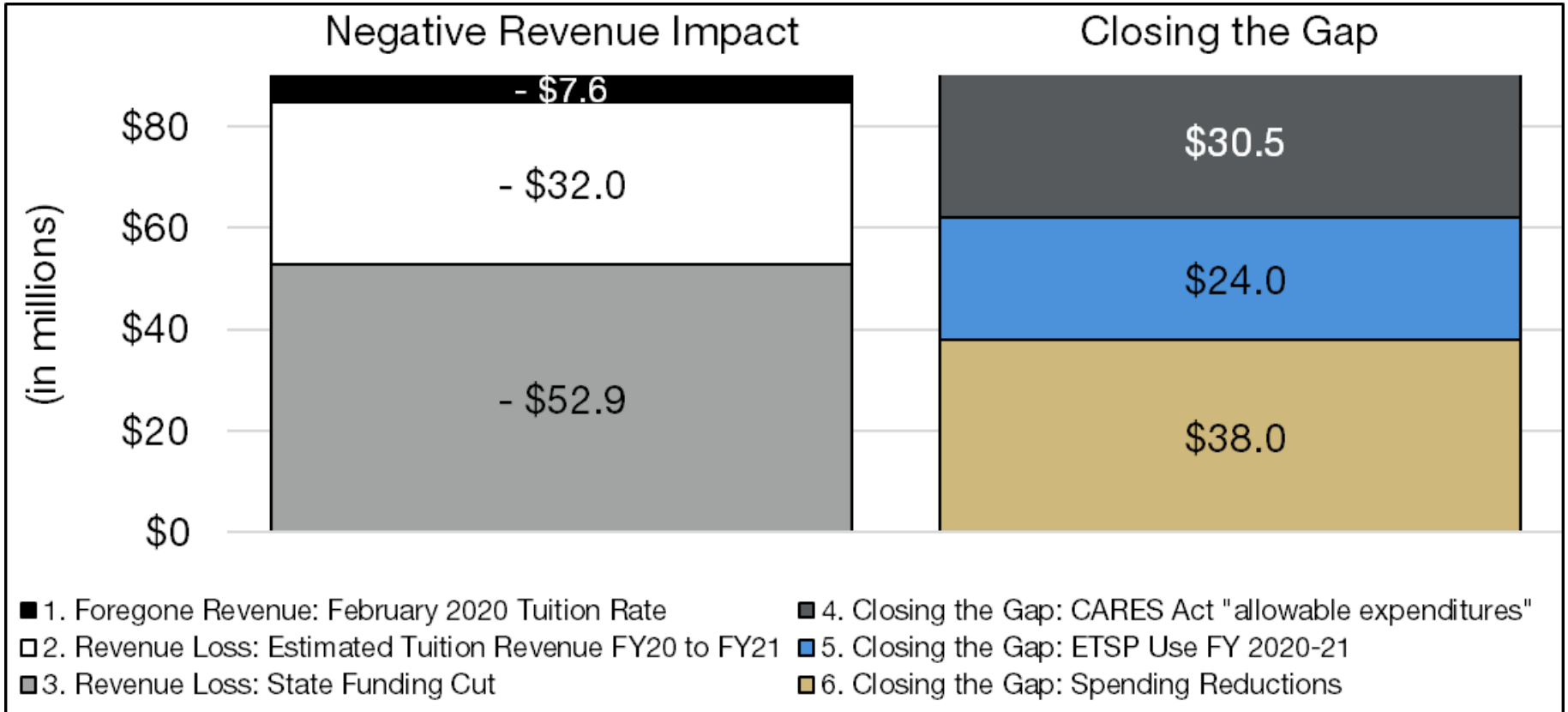


# Emergency Tuition Stabilization Plan Status



# CU Boulder

Not Reflected in FY 2019-20 UNP



CU Boulder ETSP	Amount	Percent of E&G
FY 2019-20 Ending Balance	\$33.8	3.6%
FY 2020-21 Estimated Use	-\$24.0	-2.6%
FY 2020-21 Estimated Remaining	\$9.8	1.0%



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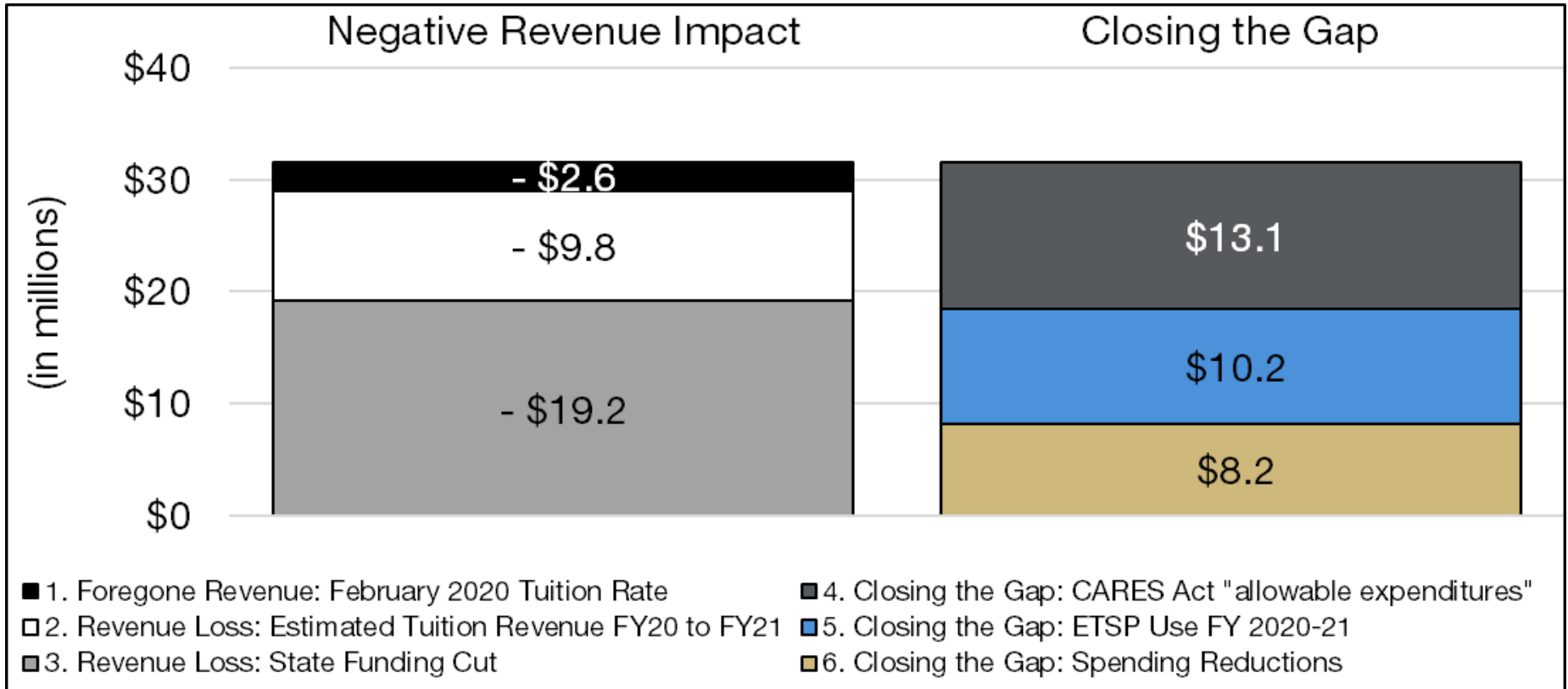
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\* Estimated Tuition Revenue Loss includes the decrease in revenues from June Budget at CU Boulder.

# UCCS

Not Reflected in FY 2019-20 UNP



UCCS ETSP	Amount	Percent of E&G
FY 2019-20 Ending Balance	\$12.5	7.6%
FY 2020-21 Estimated Use	-\$10.2	-6.2%
FY 2020-21 Remaining	\$2.3	1.4%



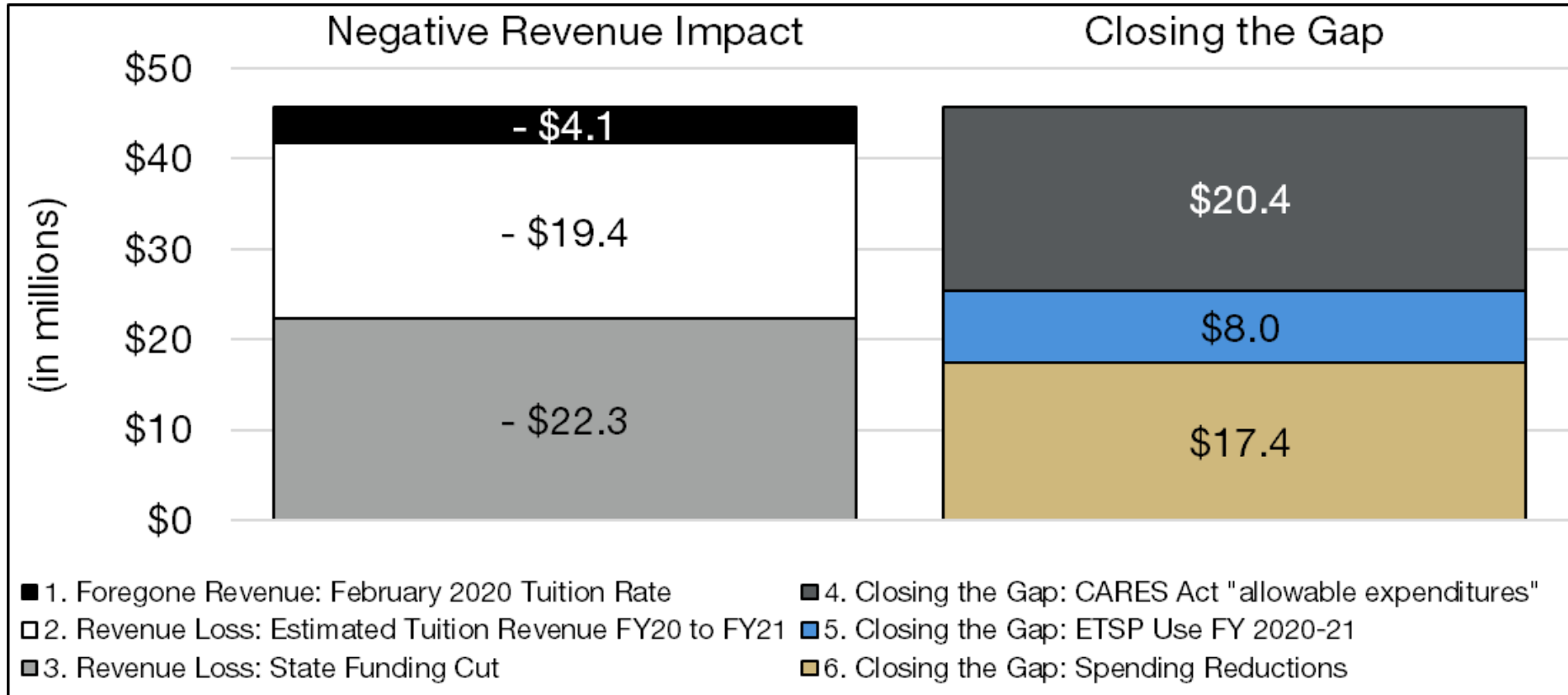
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# CU Denver

Not Reflected in FY 2019-20 UNP



CU Denver ETSP	Amount	Percent of E&G
FY 2019-20 Ending Balance	\$10.3	4.6%
FY 2020-21 Estimated Use	-\$8.0	-3.6%
FY 2020-21 Estimated Remaining	\$2.3	1.0%



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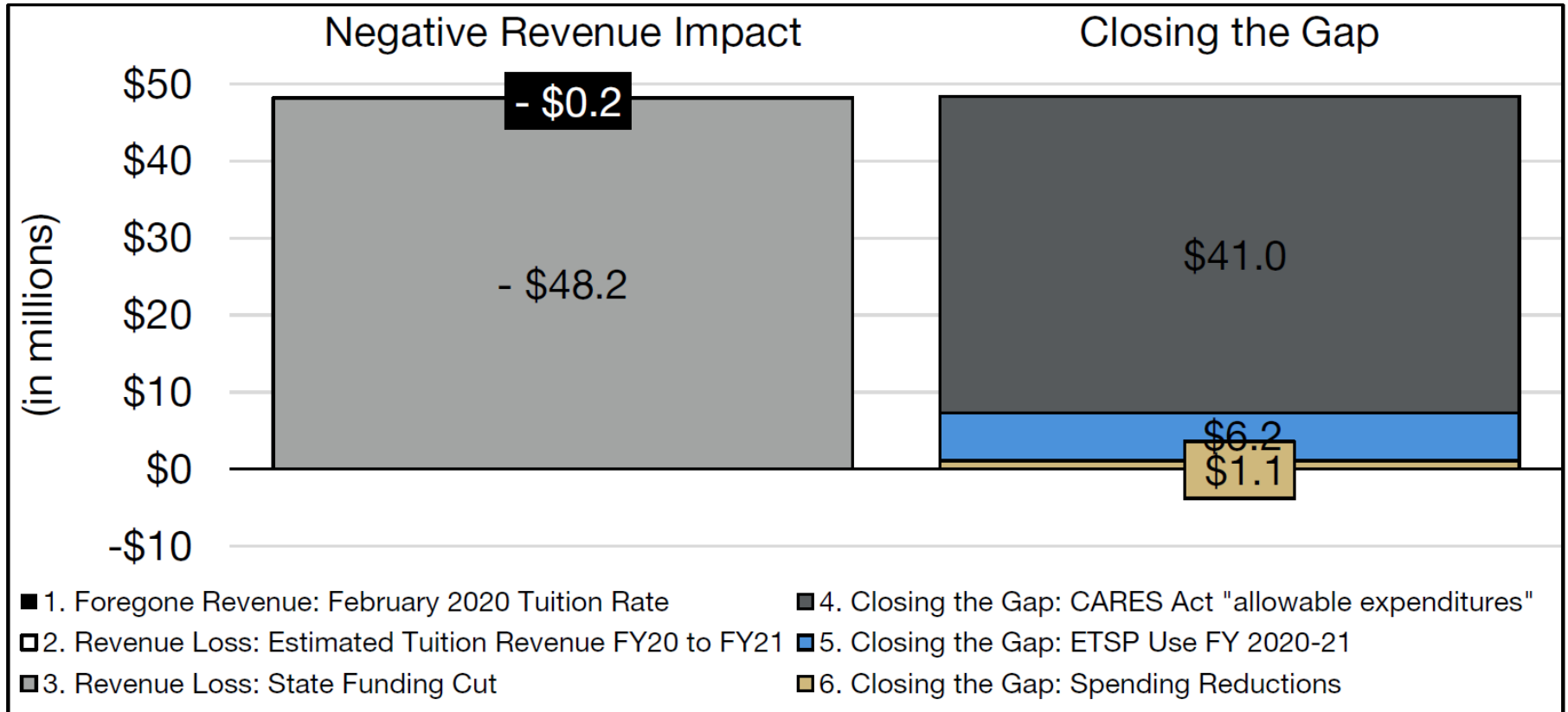
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# CU Anschutz

Not Reflected in FY 2019-20 UNP



CU Anschutz ETSP	Amount	Percent of E&G
FY 2019-20 Ending Balance	\$10.9	3.5%
FY 2020-21 Estimated Use	-\$6.2	-2.0%
FY 2020-21 Estimated Remaining	\$4.7	1.5%



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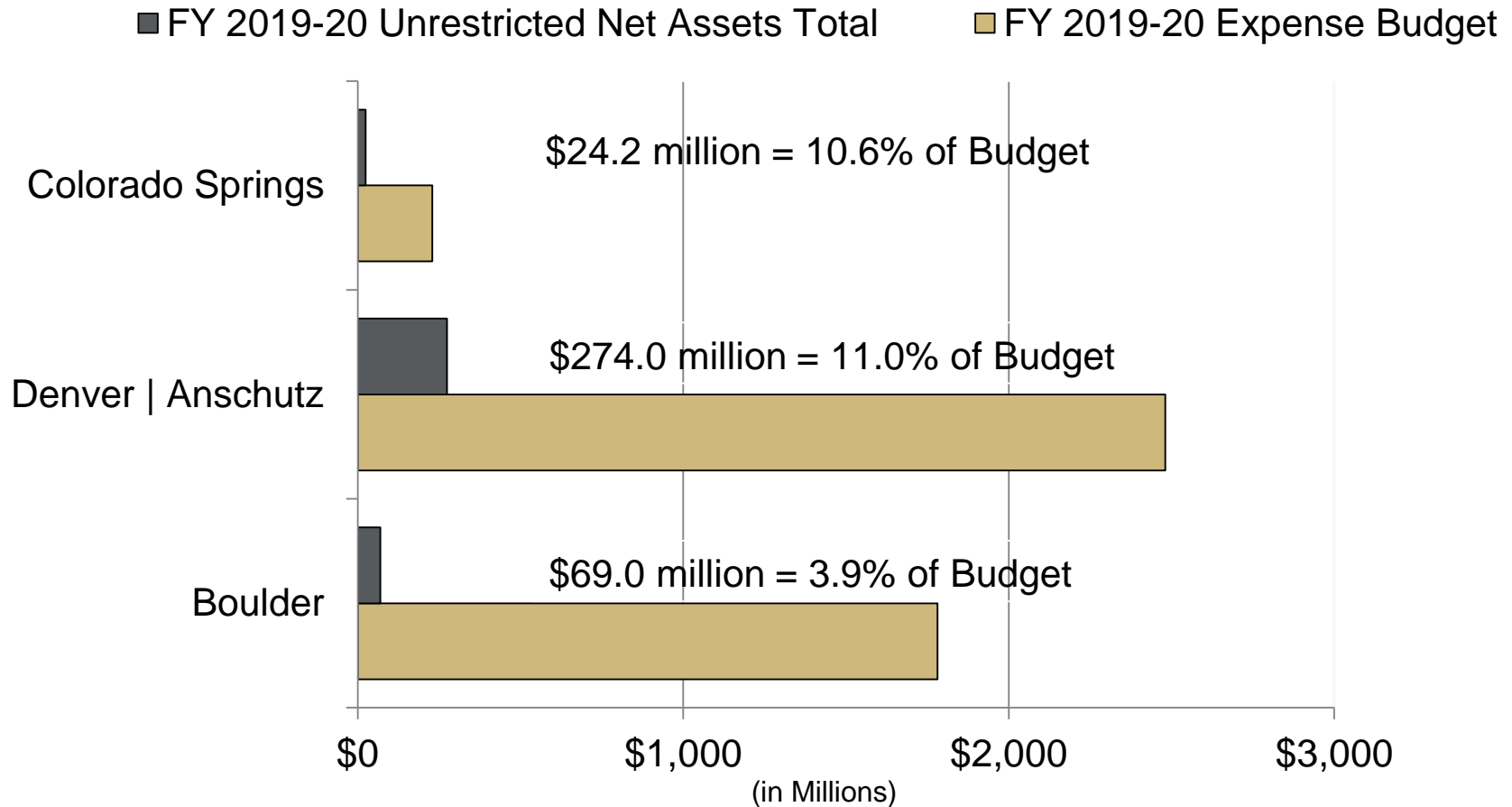
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\* Negative Revenue Impact for "Estimated Tuition Revenue" is not included above but is a net \$0.7 million increase and includes \$1.5 million related to student-run dental clinics, part of E&G revenues.

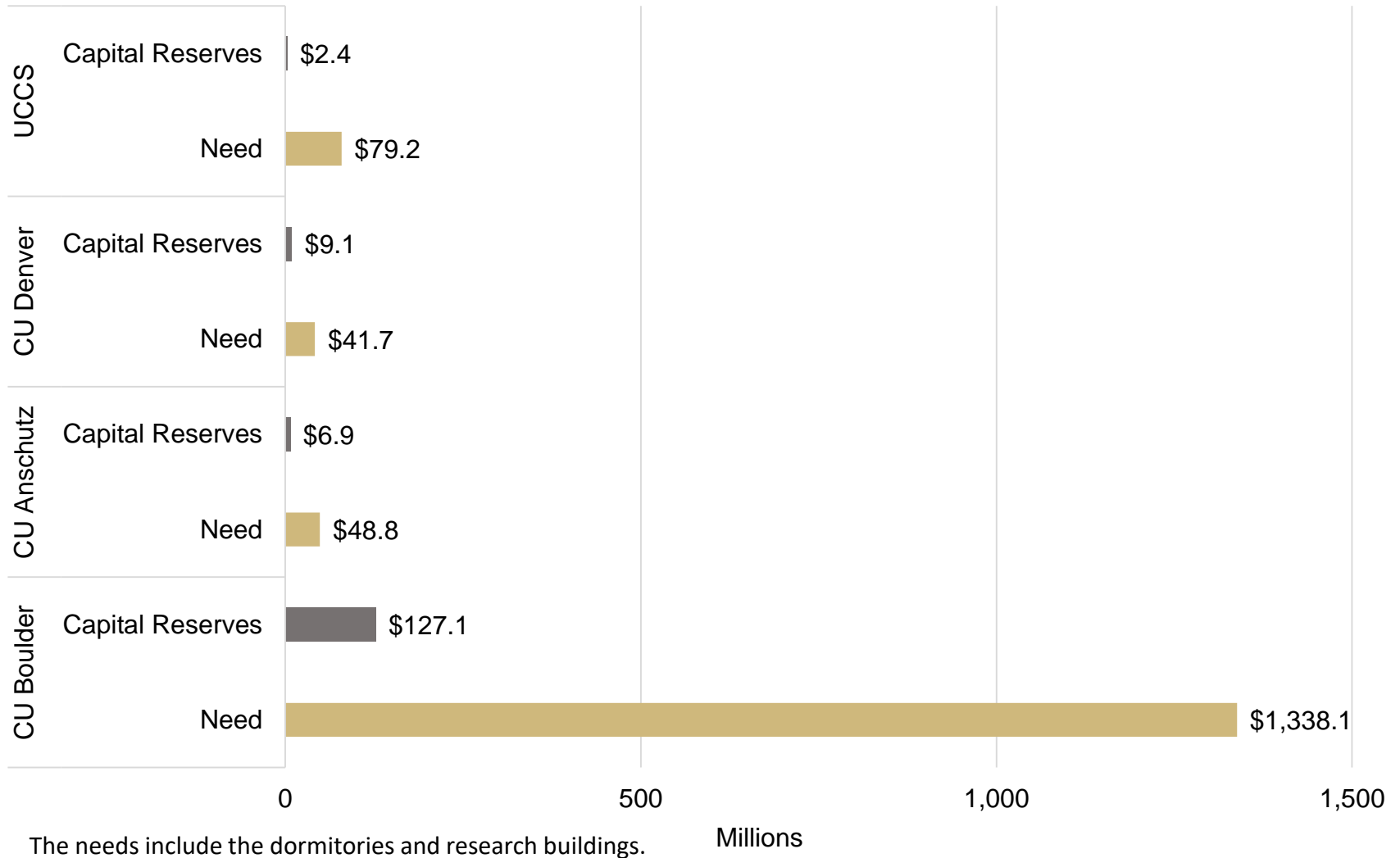


# UNP compared to FY 2019-20 Expense Budget



Source – FY 2019-20 UNP and FY 2019-20 June estimate from FY 2020-21 June budget notebook

# Capital Reserves for Renovations and Maintenance Needs



# Obligated Funds

These funds are unrestricted net position that are obligated to specific projects, are required to be held by external agencies (i.e. as bond covenant requirements), are held for contractual payments (such as faculty start-up) or are unavailable by their nature (i.e. inventory and prepaid expenses).

## Accounts Receivable

- These assets are non-cash and are not available for spending. The primary type of receivable balance for the University is student receivables, patient receivables, and receivables from other governments.

## Inventory and Prepaid Expenditures

- Recording of inventory and prepayment expenditures per accounting standards.

## Obligated Capital in Progress

- These projects have been authorized by the state or Regents according to Regent policy and state guidelines.

## Service Center Reserves

- Includes net position associated with campus cost centers that service units across the University.
- Any surplus funds generated by service centers are obligated per federal cost accounting standards (OMB A-21) for use by the associated service center.



# Obligated Funds (cont'd)

## Investment Pool

- The investment pool balance is used as a hedge against market volatility, which allows Treasury to maintain liquidity in a given year when market forces are moving in a negative direction.
- Approximately 14% of the balance is in the form of unrealized gains, which is a non-cash asset.

## Technology Transfer Offices

- Includes net position held by the University's Technology Transfer Office (TTO).
- Approximately 75% of TTO's net position is in non-cash assets including patent acquisition cost and long-term investments, while the balance is used for operations.

## University Risk Management and Risk Financing Activities

- Reserves to pay insurance claims submitted by campuses.
- Professional liability associated with the clinical practices of University faculty and staff.

## Faculty Startup and Research Initiatives

- These funds are obligated for contracted faculty start-up, cost sharing, matching programs, and financial aid obligations associated with faculty research.

## CU Medicine

- CU Medicine is a separate legal entity treated as a blended component unit for accounting purposes.
- Net position includes residual clinical revenues that are generated by Anschutz Medical Campus faculty who serve patients through University Hospital.



# Strategic Set Aside Funds

Funds available for campus use. Campus leadership holds these funds in general categories based on internal policy or intended use. Their designation may change in accordance with directives from leadership, including Regent directives.

## Auxiliary Facilities Nonpledged

- Held by auxiliary programs for use by the generating auxiliary.
  - Such as continuing education reserves and insurance activities.

## Strategic Set Aside – Capital Reserves

- Held by departments for capital construction, information technology, and capitalized equipment purchases.

## Campus Designated Capital

- These projects are planned and will be requested according to Regent policy.

## General Programmatic Reserves

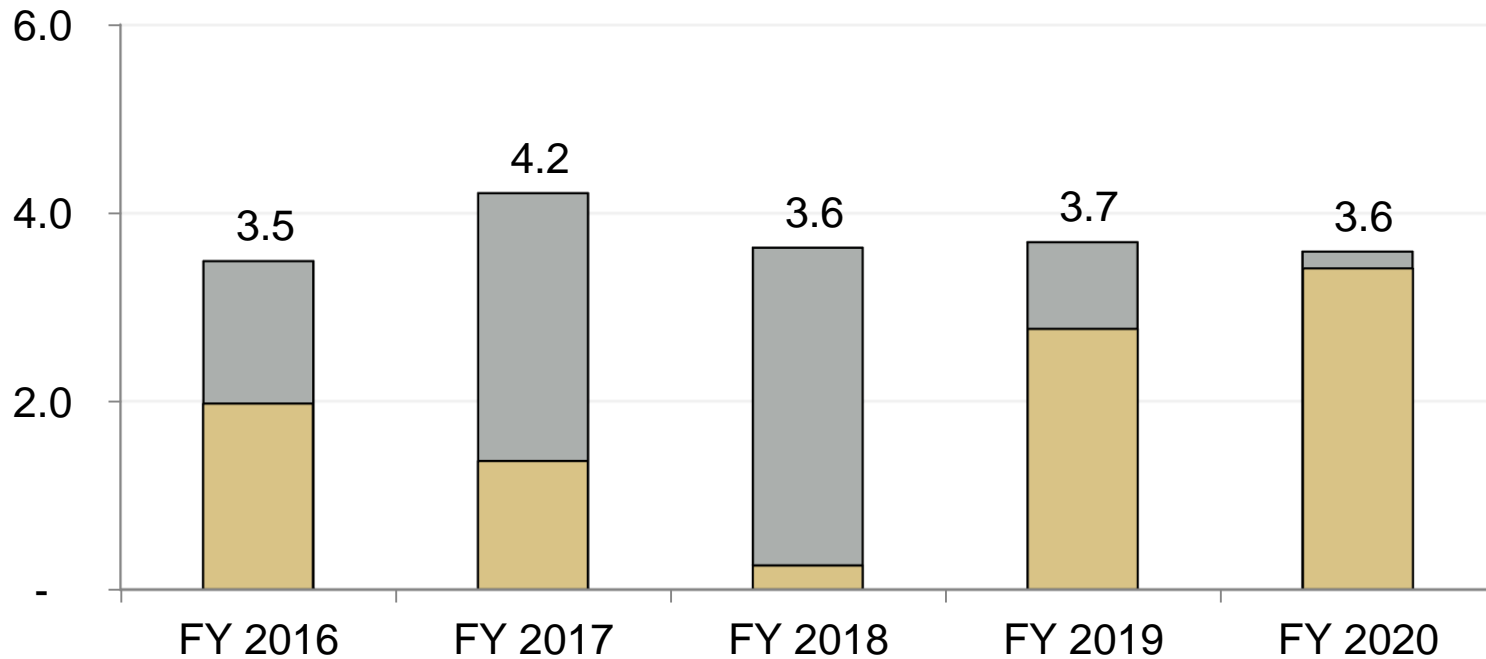
- Available for emergency needs like equipment failures, leveraging grants and gifts, and strategic opportunities.
- General departmental reserves for campus support. Generated by nonrecurring revenue surpluses and lower than expected spending levels.

## Compensated Absence & Post-Employment Benefits

- Absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave.
- Other Postemployment Benefits (OPEB) includes postemployment healthcare, as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan.



# Financial Health, CU System-wide Composite Financial Index (CFI)



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# CU Boulder



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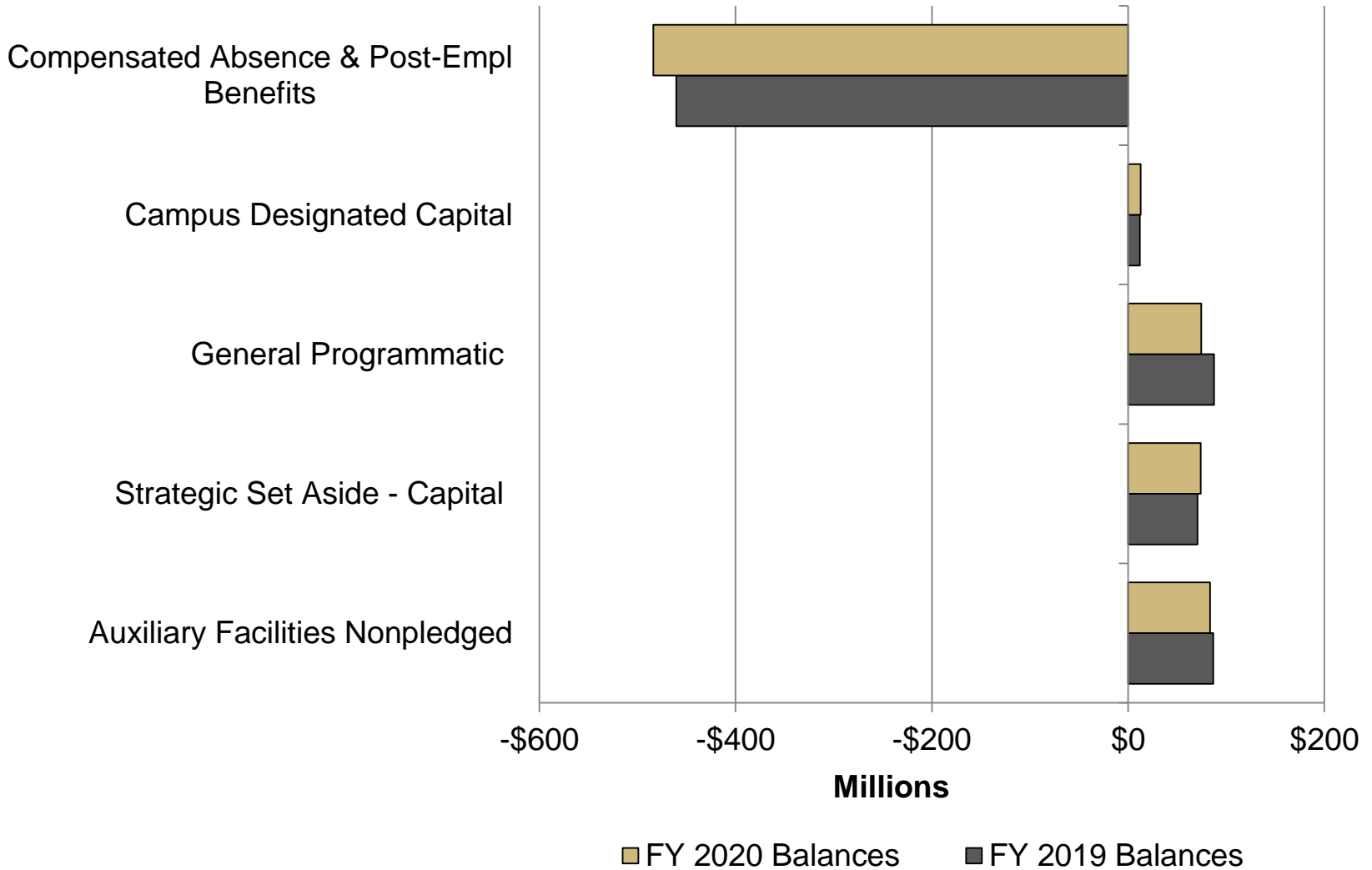
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# Overview of Fund Balances, Boulder

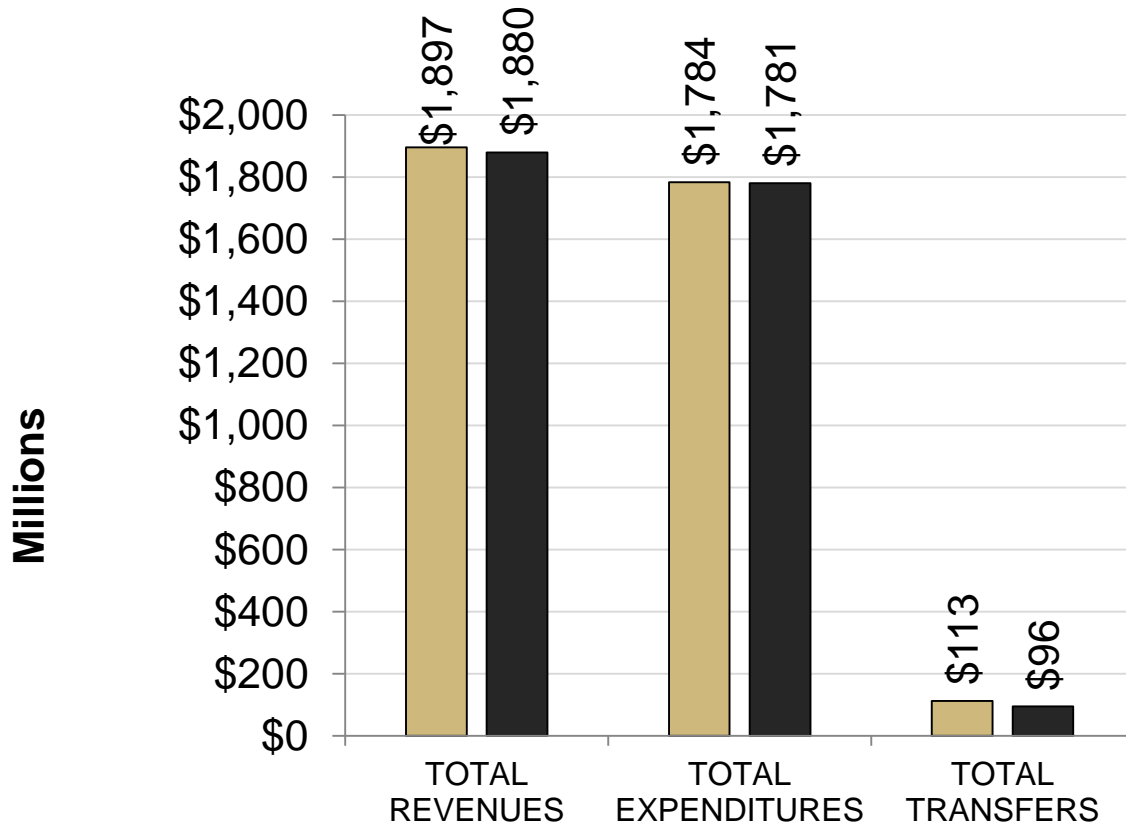


# Overview of Fund Balances, Boulder

- Compensated Absence and Post Employment Benefits (-\$483.9 million) will continue to increase due to actuarial calculation and cost allocation methodology.
- Campus Obligated Capital (pending Regent approval) (\$12.9 million) includes funds held for the Engineering North Wing and North Tower renovation, and Fleming renovation.
- General Programmatic (\$74.4 million) includes funds held for key investments in strategic initiatives, such as online efforts and technology updates across campus, information technology, COVID-19 needs, and the Emergency Tuition Stabilization Plan. (Campus plans to utilize ETSP funds in FY 2021 down to a threshold of 1%)
- Obligated Capital in Progress (\$40.1 million) includes funds set aside for the Wellness Institute, Business and Engineering expansion, debt reserve requirement and other small projects.
- Strategic Set Aside – Capital is dedicated to addressing deferred maintenance and future infrastructure needs. The specific uses will be informed by Strategic Facilities Visioning and campus master planning processes. These monies may be reallocated to address COVID-related costs as necessary for FY 2020-21 and beyond.



# Revenues vs. Expenditures, Boulder



Revenues were lower than budget due to COVID-19 impacts in campus auxiliaries

Growth in research expenditures have helped offset a decline in COVID-19 related auxiliary expenditures

Transfers include all debt payments, activity to and from System and intradepartmental activity

■ Budget ■ Actual



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# Planning Highlights, Boulder

Significant expenditures planned from reserves include:

- COVID related needs in academic technology, classroom configuration and PPE
- Campus approved deferred maintenance projects
- Business-Engineering project completion
- Fleming renovation
- Wellness Institute renovation
- North Wing and North Tower renovation



# CU Denver | Anschutz



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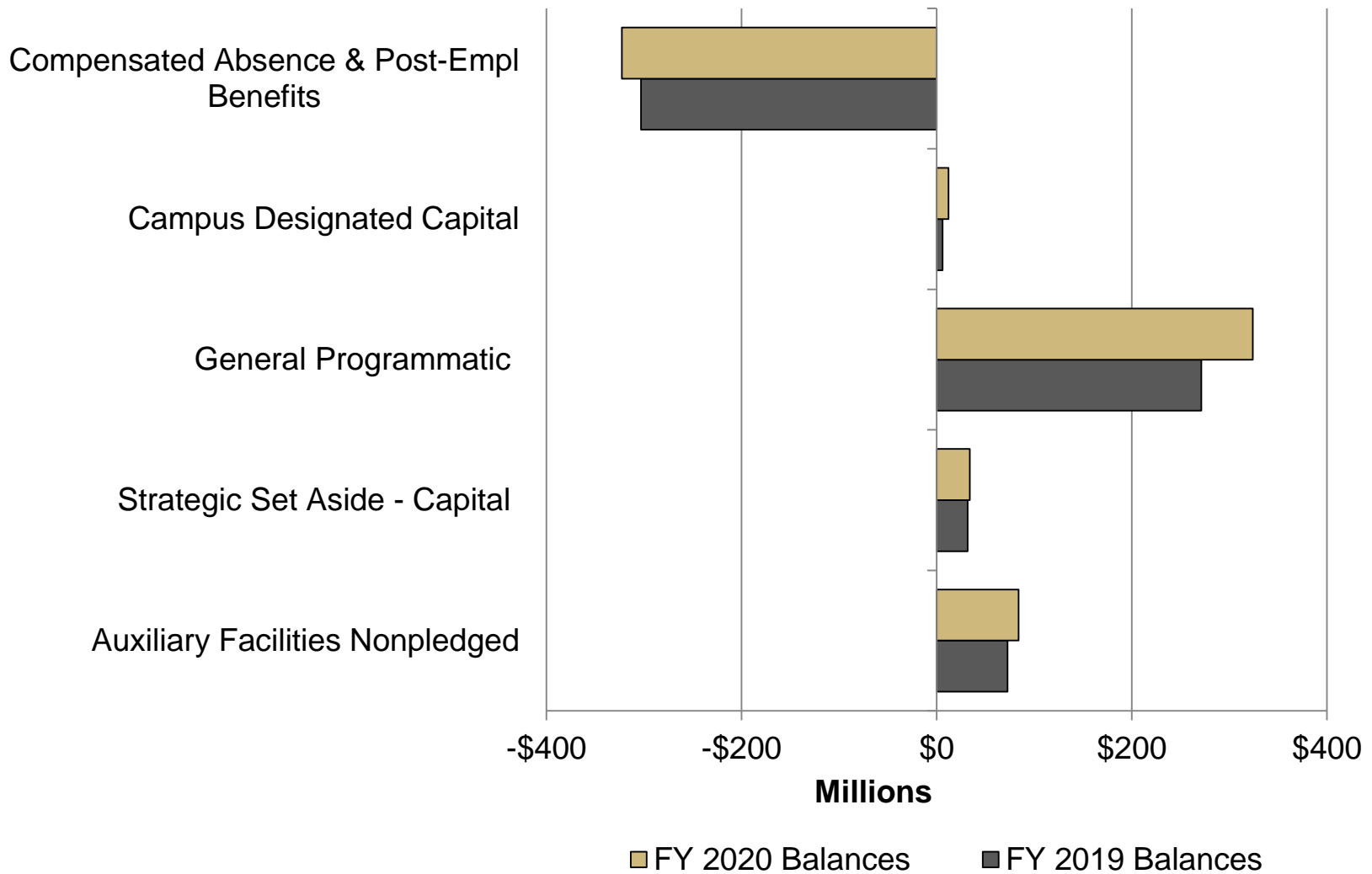


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# Overview of Fund Balances, Denver | Anschutz



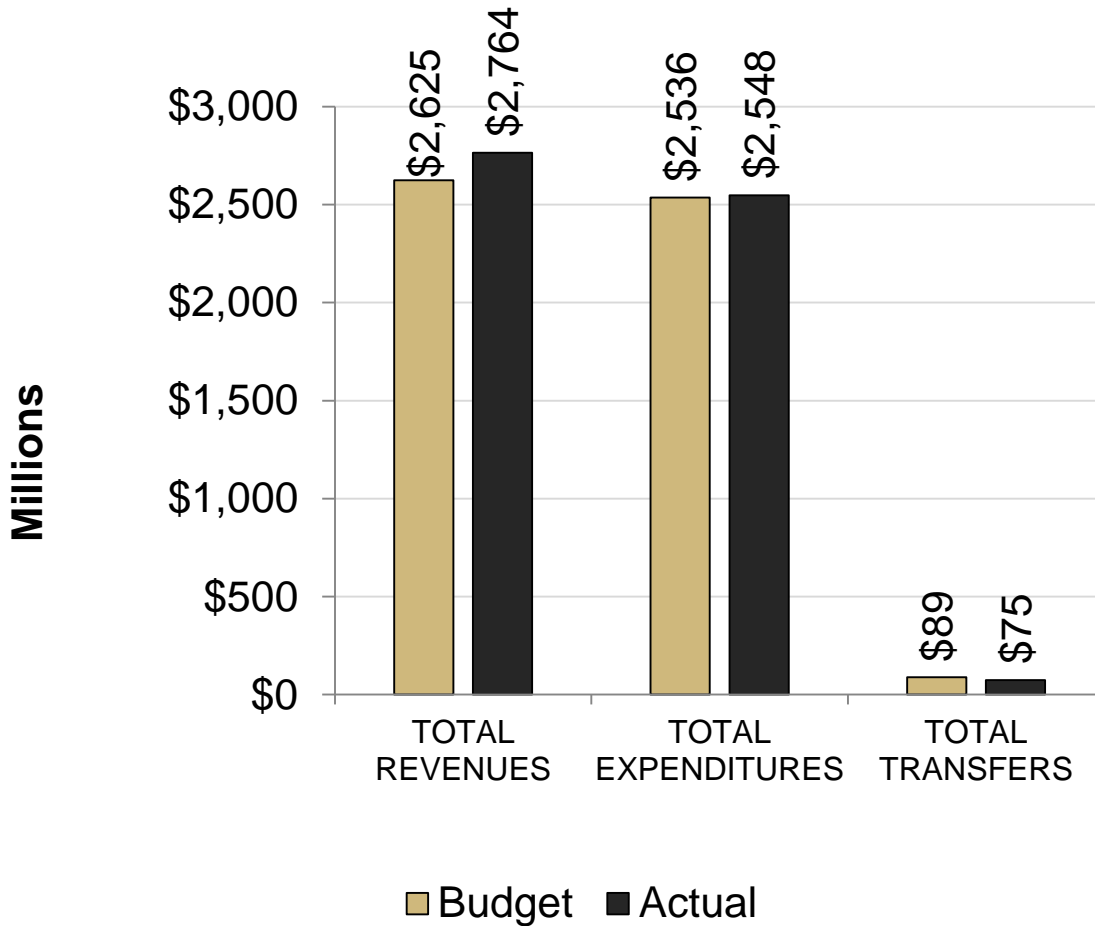
# Overview of Fund Balances, Denver | Anschutz

- Campus Obligated Capital Reserves (\$12.0 million) includes equipment, City Heights reserve, and technology initiatives.
- General Programmatic Reserves (\$328.1 million) includes academic unit contingencies, such as operating contingencies to cover tenured faculty, innovation initiatives, and bridge funding between grants, administration balances for unplanned expenditures such as emergency repairs, technology replacement and providing seed funding for new campus initiatives, tuition stabilization resources, and online education initiatives.
- Obligated Capital In Progress (\$30.2 million) includes future building planning resources, renovation funds, and debt service obligations.
- Strategic Set Aside – Capital Reserves (\$34 million) includes planning for deferred maintenance, emergency building renewals, and IT infrastructure expansion and replacement.
- Faculty Start-Up and Research Initiatives (\$43 million) includes recruitment and start-up funding for equipment and supplies to set up laboratory and research programs.





# Revenues vs. Expenditures, Denver | Anschutz



Revenues exceeded budget due to:

- Royalty revenue greater than planned
- Investment and Interest income greater than planned

Expenses exceeded the budget primarily due to CU Medicine.

Large transfers include:

- Debt (Mandatory)
- Indirect Cost Recovery
- Royalty Revenues
- Online Initiatives



# Planning Highlights, Denver Campus

Significant expenditures planned from reserves include:

- Utilizing the ETSP to cover the FY 2020-21 E&G revenue shortfall
- Facilities approved deferred maintenance projects
- Start-up packages and research initiatives
- Equipment maintenance and replacement
- Reserve for impact of COVID-19 (Technology infrastructure, PPE purchasing, COVID testing, student relief for mandatory fees)



# Planning Highlights, Anschutz Medical Campus

Significant expenditures planned from reserves include:

- Continued construction of the Anschutz Health Sciences Building
- Vivarium expansion, renewal and replacement projects
- Pharmacy Building Debt Service
- Facilities approved deferred maintenance projects
- Technology infrastructure maintenance, renewal, and replacement
- CU Innovations Initiatives
- Faculty recruitment, start-up packages and research initiatives
- Reserve for impact of COVID-19



# Colorado Springs



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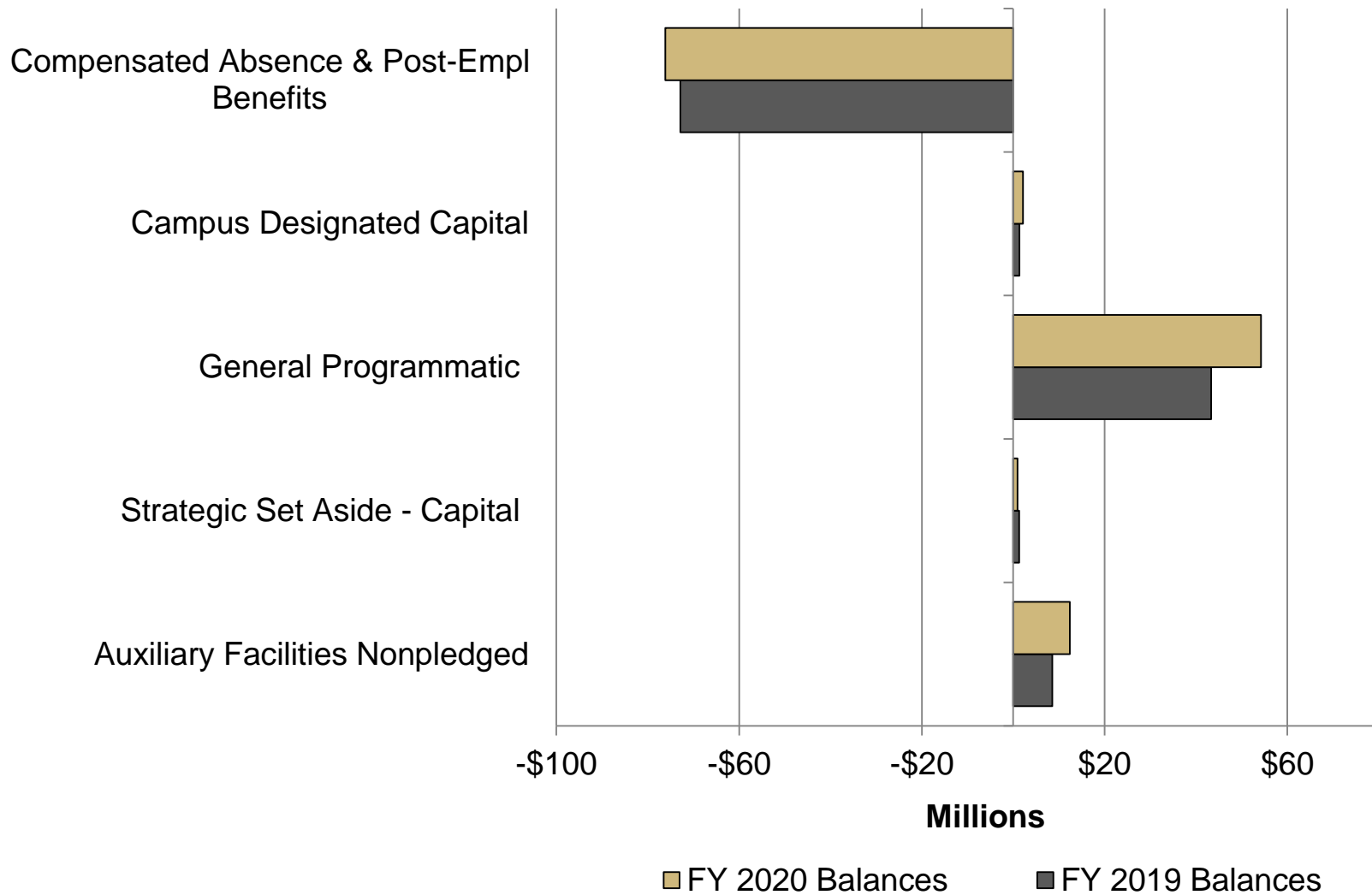


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# Overview of Fund Balances, Colorado Springs

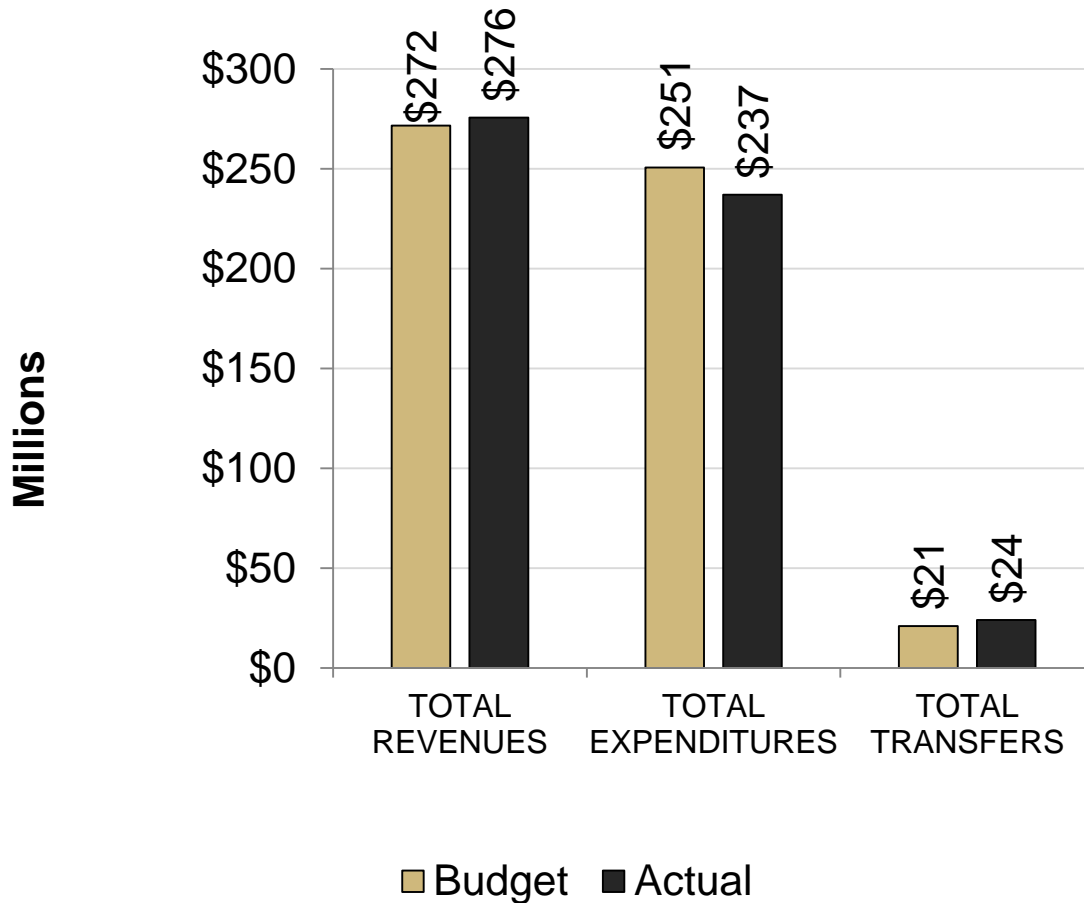


# Overview of Fund Balances, Colorado Springs

- Growth in General Programmatic is primarily due to increasing the campus reserves and the reserves for all schools and colleges.
- Accounts Receivable's increase is due to City for Champions for Hybl \$10.0 million.
- Increase in Compensated Absences and Post-employment benefits due to increase liability for vacation and sick time as well as increase in rates and number of retirees.
- Change in Service Centers is due to initial year deficit in the campus-wide benefits pool.



# Revenues vs. Expenditures, Colorado Springs



Revenues came in slightly higher than budget due to City of Champions revenue booked for the Hybl Sports Performance Center.

Expenditures were less than budgeted primarily due to conservative spending due to lower than budgeted enrollments and uncertainty in the COVID era.

Transfers include debt service payments and departmental savings.





# Planning Highlights, Colorado Springs

Significant expenditures planned from reserves include:

- UCCS is making up FY 2020-21 budget deficits with a combination of ETSP, reserves, and base cuts.
- UCCS is remaining cautious in spending and maintaining reserves in the event of operation impact due to COVID.
- Work has begun on the expansion of the MOSAIC Center and we are grateful to the funding from the President's Office to ensure this project's start and completion by spring 2021.
- Hybl Sports Performance Building debt service.



# System Administration



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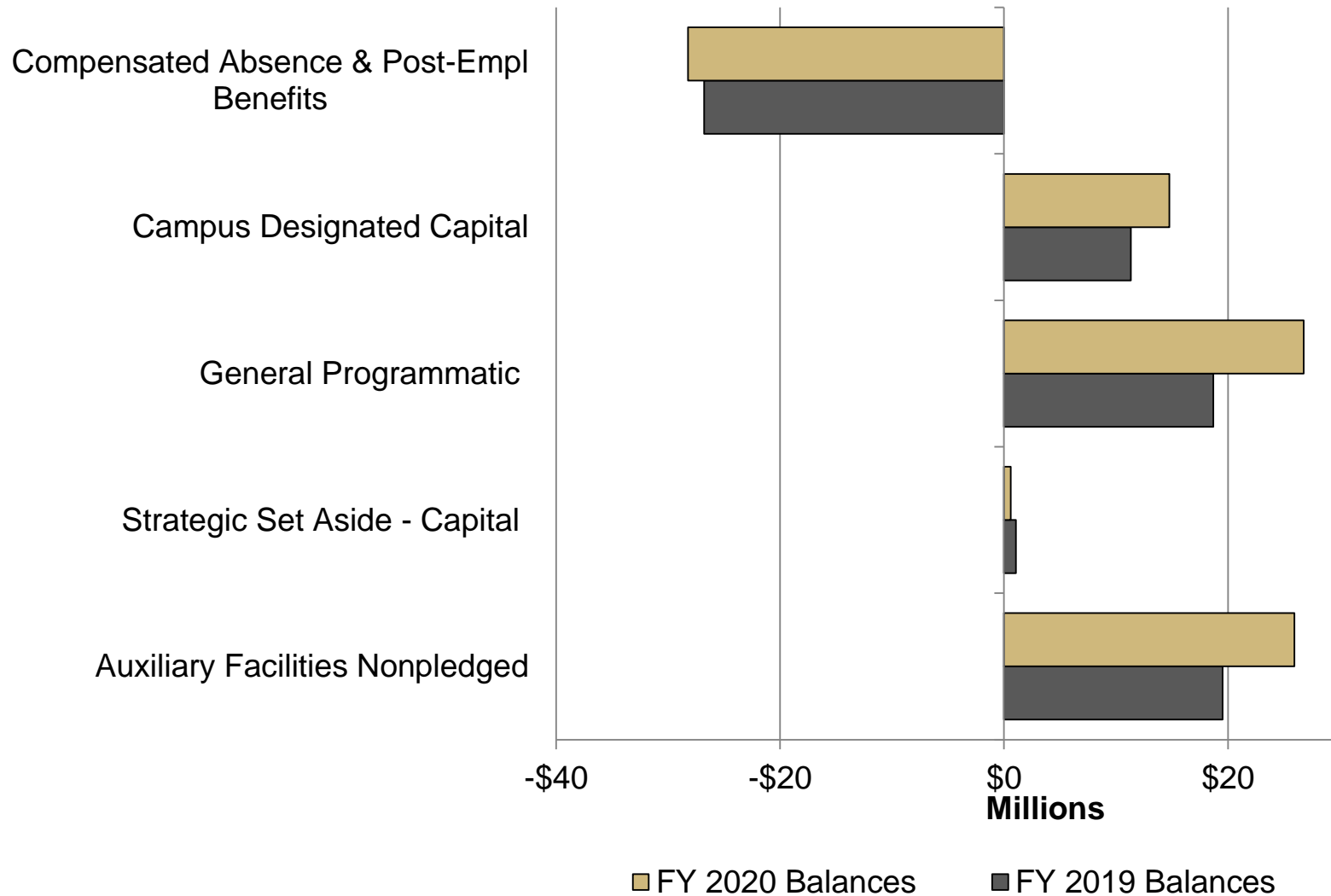


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# Overview of Fund Balances, System Administration

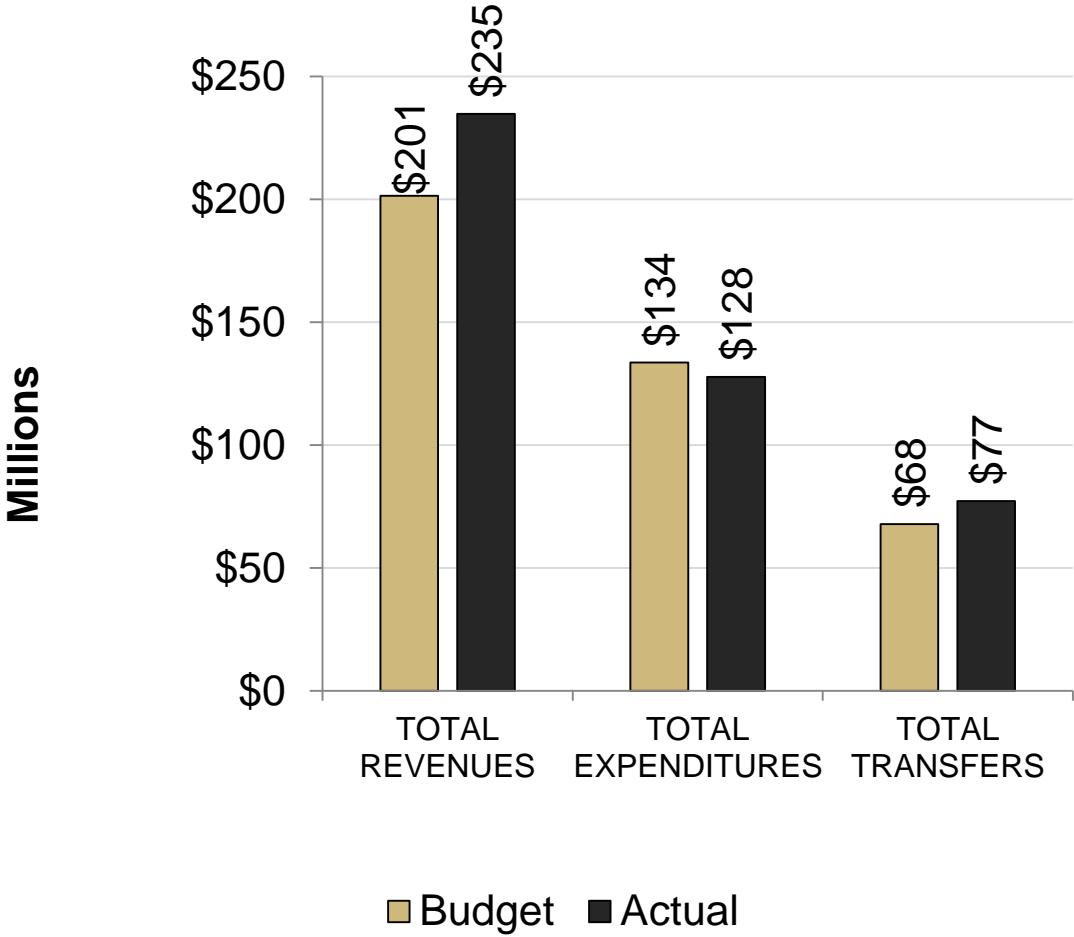


# Overview of Fund Balances, System Administration

- Compensated Absence and Post Employment Benefits continue to increase due to a change in actuarial calculation and cost allocation methodology.
- Increase in Campus Designated Capital to accommodate future initiative costs, such as online.
- Increase in General Programmatic balances reflects System Administration's effort to prepare for budget reductions in FY 2020-21.
- Strategic Set Aside – Capital balances reflect the amount budgeted to complete business system IT optimization projects.
- Auxiliary Facility Nonpledged balances help absorb revenue fluctuations during economic downturns.



# Revenues vs. Expenditures, System Administration



Revenues exceeded budget primarily due to Treasury Investments.

Expenditures were less than budgeted due to conservative spending.

Transfers include campus support from President’s Initiative funds, and transfers for Advancement operations.



# Planning Highlights, System Administration

Significant expenditures planned from reserves include:

- Transformation Innovation Program (Year 1 of 3)
- Online Education Initiative (Year 1 of 3)
- UCCS and CU Denver Enrollment Management

